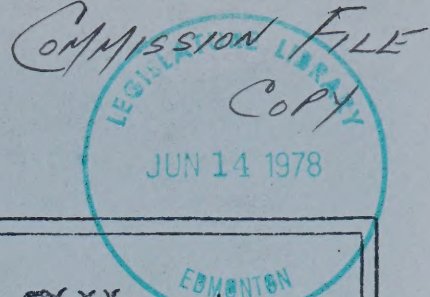




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The Province of Alberta

IN THE MATTER OF THE PUBLIC INQUIRIES ACT

AND IN THE MATTER OF O/C 290/73, AN INQUIRY
INTO THE NEW TOWN OF GRANDE CACHE

N. R. CRUMP, Esq.,	Chief Commissioner
T. H. PATCHING, Esq.,	Commissioner
DAVID GRAHAM, Esq.,	Commissioner

W. A. Stevenson, Esq.,	Commission Counsel
D. O. Sabey, Esq., Q.C., and J. G. Martland, Esq.,	For McIntyre Porcupine Mines Ltd.
Lorne Ingle, Esq.,	For United Steelworkers of America.

DATE: September 28, 1973

HELD AT: Edmonton, Alberta.

VOLUME XIV

(Pages 1389 - 1448)

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I N D E XVOLUME XIVSeptember 28, 1973WITNESSES:D. McKELVIE

Examination by Mr. Stevenson 1389

LESLIE GRAHAM PRICE

Examination by Mr. Stevenson 1402

Examination by Mr. Patching 1441

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37	Handwritten Summary of Figures of Measured Coal Reserves	1401

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37 Handwritten summary of findings of
Research and Review 1031

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1-FWB-1

D. McKelvie - Stevenson Ex.

PROCEEDINGS before the Board of
Commissioners at the Law Courts,
City of Edmonton, Province of
Alberta, commencing at 9:30 A.M.
Friday, September 28, A.D. 1973.

D. McKELVIE, sworn, examined by Mr. Stevenson:

Q Mr. McKelvie, what is your present position with McIntyre Porcupine Mines Limited?

A My present position is Chief Geologist, Coal Division.

Q And you are situated at Grande Cache?

A Yes.

Q How long have you been with McIntyre Porcupine?

A I have had two tenures with McIntyre, one in 1958 lasting until 1963 and another beginning in 1971 lasting to the present time.

Q I understand that you are a graduate of Queens?

A That's correct.

Q And your degree?

A Bachelor of Science in Geological Sciences.

Q Now, Mr. McKelvie, I take it it is part of your responsibility to record and keep updated on coal reserves at the McIntyre operation in Grande Cache?

A Essentially it is; my main responsibility in that line would be in connection with the open pit reserves. The accurate reserves of the underground mining were kept by the Mining Engineering Department.

Q Tell me this, I take it we can talk about reserves in a couple of different ways. We can talk about reserves in place?

1-FWB-2

D. McKelvie - Stevenson Ex.

A That's correct.

Q And we can talk about reserves which are estimated to be recoverable?

A That's right.

Q And we can talk about reserves which are calculated to be economically recoverable?

A Essentially that is correct, yes.

Q Within your department of the mine do you attempt to keep those kind of figures?

A Yes, in regard to the latter category we would keep figures and place them roughly in that category for those areas on which we have present mining activity or on which there is immediate plans to put the area into production.

Q That is as far as economically recoverable is concerned you wait until you are either in mining or the mining development has been planned?

A If we have advance planning in that particular area, we would be in the phase of economically recoverable.

Q Are your assessments of what is economically recoverable reviewed from time to time in the light of production?

A Oh, yes.

Q Now, if we look at the No. 2 mine, No. 4 seam, that is now in production?

A That is correct.

Q And you would in the case of that mine have a figure for what you now think would be economically recoverable reserves because it is in the development stage?

1-FWB-3
D. McKelvie - Stevenson Ex.

A That is correct.

Q And what is the figure that you have as a reserve there?

A In No. 14?

Q In the No. 2 mine?

A Economically recoverable or in the advanced stage of planning,
2,400,000.

1-GR-1

D. McKelvie - Stevenson Ex.

Q Does that include Numbers 1 and 2 East?

A Yes.

Q And in the No. 11 seam there is now work going on in that area?

A That is correct.

Q So you have an economically recoverable figure there, would you, Mr. McKelvie?

A I would like to qualify the reserve that we do have on that basis, because, as was testified in the last couple of days, the advancement in No. 11 seam is primarily concerned with providing an accessway to the opposite side of the mountain, for deliverance of coal from No. 9 mine. But we do have a calculated reserve which we would expect would be recovered, either, both in the process of advancing into the tunnel and in later mining.

Q You just, you lack a little of the certainty about this one because of the purpose of your layout, is that correct?

A That's correct. The No. 11 seam is more variable than the other seam, so we are cautious in this respect.

Q So in giving me the figure of 2,400,000, I take it that's raw long tons?

A Correct.

Q Now, what have you shown as a recoverable reserve in No. 11?

A As 1,400,000.

Q Now, that would be raw long tons?

A Correct.

Q And I think Mr. Johnson indicated to us that, in that case the clean coal recovery was in the vicinity of 50 per cent, do you recall that?

1-GR-2

D. McKelvie - Stevenson Ex.

A That is correct. In that neighbourhood.

Q Now, are you telling me, from these qualifications that you may have made, that No. 11 seam of No. 2 mine is, that's a conservative estimate?

A Yes.

Q All right. And now, in the No. 8 area, that's now in strip process?

A Correct.

Q And you can give a fairly reliable figure in that area, I take it?

A Yes, I believe our figures are quite accurate there.

Q And the reserves for the No. 8 are shown as what, Mr. McKelvie?

A As approximately 1,850,000.

Q And that is strip?

A That's correct.

Q And does that include the two areas which are projected to be worked on shortly?

A Yes.

Q The adjuncts to No. 8?

A Yes.

Q Now, you also have a reserve figure for No. 9 mine?

A Yes.

Q Economically recoverable?

A Yes.

Q And is that 8,500,000?

A Yes.

Q Long raw tons?

A Long raw tons again.

1-GR-3

D. McKelvie - Stevenson Ex.

Q Then we get into the areas where it's more problematic, is that right?

A Problematic might not be the correct term. I would consider them measured reserves rather than problematic.

Q Oh, yes. What I'm saying is if you talk about recoverable from these areas, your judgment plays a much greater role?

A Right.

Q All right. In mine area No. 1, which is the area which Mr. Keenan is working on, you show 46,820,000 tons in place?

A That's correct.

Q And do you assign any recoverable figure?

A No, we would assign a recoverable figure here for just No. 4 seam. The 46 million figure includes seams 2, 3, 5, 7 and 9 as well as No. 4. Our present studies only include No. 4 seam, which is a figure of 7,800,000.

Q Is that a figure you developed since Mr. Keenan started doing some work?

A Essentially it's a figure that we've used since the more or less accurate reserve figures were calculated in 1971.

Q That's a potential recoverable figure?

A Yes.

Q And we can't say whether that's economically recoverable yet?

A Not at this moment.

Q And do you have an in place figure for the No. 4 seam in the No. 1 mine area?

A No, I don't have that here. It would be, this 7,800,000 would include a recovery factor of sixty per cent, so, it would be considerably higher than that.

1-GR-4

D. McKelvie - Stevenson Ex.

Q That's based on being able to recover sixty per cent of the No. 4 seam?

A That's correct.

Q And you come out to 7,800,000.

MR. PATCHING: May I ask whether this figure of 46 million included the 7,800,000?

A Yes.

Q MR. STEVENSON: All right. In the No. 2 mine area do you have additional reserve figures over and above what you've given me for the No. 2 area?

A Oh yes, very substantial reserves, which include the steeply pitching areas of Numbers 4, 10 and 11 seams. The reserve figures given previously for No. 2 mine include just the moderately inclined reserves.

Q I'm sorry to go back on this, Mr. McKelvie, but the No. 2 figure you gave me before, does that also include the proposed operation on the Sheep Creek side?

A That would not be included as an economically recoverable figure, if we could use that term at this time. There is an additional, slightly more than 1 million tons which we estimate to be recoverable in this area.

Q Would this be included in the figure you've just now given me?

A Yes.

Q Allright. In the No. 2 mine area, in seams 4, 10 and 11, including the steeply pitched areas and excluding the areas that are now under development, you get a figure of 23,250,000?

A That's correct.

1-GR-5

D. McKelvie - Stevenson Ex.

Q And you estimate 12,300,000 to be recoverable?

A That's correct.

Q And included in that is the No. 10 seam of No. 2, where some work has been done?

A Yes.

Q And the Sheep Creek side of No. 2, which is going to go into development shortly, according to Mr. Johnson?

A That's correct.

Q But you have not got sufficient plans to enable you, or sufficient information to enable you to move those into the economically recoverable category?

A No, to my knowledge the final mining plan has not been established for that.

Q Then in the No. 3 mine area, which is also steeply pitched I take it?

A That's correct.

Q You've got 24,550,000 in place?

A Yes.

Q And you estimate 13,000,000 recoverable?

A That's correct.

Q There is also a No. 5 area. Where is that? Is that the one which was closed?

A No. 5 mine area is the operation which was closed.

Q And you have some figures there. Do they include the areas which were left when No. 5 was closed?

A Yes - as well as additional tonnage on the flanks of the syncline.

1-GR-6

D. McKelvie - Stevenson Ex.

Q And does that include some steeply pitched coal?

A Yes.

Q And you show as being in place there 8,870,000 and recoverable 3,550,000?

A That's correct.

Q Mr. McKelvie, that includes, as you indicated a moment ago, those areas of No. 5 that were left when the mine was closed?

A Yes.

Q You don't assess that in respect to its economic recoverability?

A No, I have not included those in the figures.

Q All right. Then you have the No. 7 mine area. Is that described as Campbell Flats?

A Correct. I might add there it also includes an area known as Fox Creek.

Q As?

A As Fox Creek. Two distinct areas, making up No. 7.

Q And what is the condition of the coal there?

A There are --

Q As far as grading is concerned?

A Yes. There is one level section, as indicated by the name Campbell Flats, which is a proposed underground mine, and some steeply pitching seams as well, and a small potential strip area.

Q An in place figure of 49,410,000?

A Correct.

Q And a recoverable figure of 17,190,000?

A That's correct.

D. McKelvie - Stevenson Ex.

Q No. 8 area, in addition to what you have already told me about as being economically recoverable, you still maintain some reserve figures for No. 8?

A That's correct.

Q What is the condition there - is that fairly deep pitching or what?

A The majority of the reserves would be steeply pitched.

Q And that's 19,660,000?

A Correct.

Q And you give a recoverable, 12,790,000?

A That's correct.

Q But there are no plans for that?

A No.

Q And that's the area that your present plans are to move out of?

A Yes. Both figures which you just cited would include the reserves given previously as economically recoverable, the strip potential of No. 8 mine.

Q Oh, this includes it?

A Yes. Those figures would be for the total No. 8 area.

Q But that's not true -- is that also true of No. 2 up above, I'm sorry?

A Yes.

Q I see. So that the figures you gave me for No. 2 include the economically recoverable figures?

A Yes.

Q That's fine. No. 9, which is a strip operation, you give

D. McKelvie - Stevenson Ex.

Q (Continued) 181,660,000 in place?

A Correct.

Q And 116,760,000 is recoverable?

A Correct.

Q And that includes the economically recoverable, 8,500,000?

A Correct.

Q No. 14, that's Grande Mountain, is it?

A Yes.

Q 44,660,00 in place, in seams 3, 4, 6, 7, 8 and 10?

A Correct.

Q And of that, 23,430,000 recoverable?

A Yes.

Q And none of that class is economically recoverable at this point?

A No, it is not.

Q And in the 4 and 10 seams 16,000,000 is economically recoverable?

A Yes.

Q And again -- pardon me, as recoverable.

A Yes, as recoverable.

Q And again those haven't been classed as economically recoverable yet?

A No.

Q And, then you also gave the figures for No. 20, which is the Copton Excol area?

A Correct.

Q I assume you are familiar with the various reports and studies that have been made of the geology of this area today?

A Yes.

1-GR-9

D. McKelvie - Stevenson Ex.

Q Such as Landes, Weir, Hulbert?

A Yes, correct.

Q And as described as having immense in place reserves?

A Yes.

Q Do you use the terms approved, indicated, and inferred reserves?

A Yes.

Q And do you use that in your work?

A I would prefer if the reserves were just classed as either proven or inferred and not, and leaving out the "indicated" category.

Q Is that two classifications you use?

A Yes.

Q As proven or inferred?

A Yes.

Q And the figures that you have given me how do you qualify those?

A We would classify them, under our present parameters, as proven.

Q And how do you determine that they are proven, what standard do you use?

A The criteria that we use are: if the points of observation or measurement are close enough to determine an accuracy of approximately twenty per cent these would be classed as measured or proven, and this distance between points of observation in this case is generally 1500 feet but not necessarily so.

Q The conversion of in place to recoverable reserves is an extremely complex matter?

1-GR-10

D. McKelvie - Stevenson Ex.

A Yes.

Q And do you consider questions of mineabilities involving seam thickness, pitch, presence of dirt, roof control problems, a mining system, --

A Correct.

Q -- all of those things in making economic determinations?

A Correct. Generally a percentage factor is attributed to the in place reserves, the percentage factor being a result of the factors which you just mentioned.

Q But do you personally undertake that or is it done by someone else or with whom do you consult?

A I like to rely on the engineering department for the actual percentage factor which is used.

Q And in your position the accuracy of the figure they can give you varies with the extent of development, I take it?

A That's correct.

Q And is that where you get your guidance and assistance in making those calculations?

A Yes.

Q Those are the only questions I have, Mr. McKelvie. I'm going to ask you if you made up this handwritten summary of the figures you've just read to me, and we can enter that as an exhibit.

A I did so.

MR. STEVENSON:

Exhibit 37.

HANDWRITTEN SUMMARY OF FIGURES
OF MEASURED COAL RESERVES
MARKED EXHIBIT 37.

1-JH-1

L. G. Price - Stevenson Ex.

MR. CRUMP: Mr. Sabey, do you have any questions of the witness?

MR. SABEY: No questions, Mr. Crump.

MR. CRUMP: Mr. Patching, do you have any questions?

MR. PATCHING: No, I haven't. I will depend on the sheet.

MR. CRUMP: Yes. We will get the transcript in due course.

Mr. Graham?

MR. GRAHAM: No.

MR. CRUMP: Well, thank you very much for coming Mr. McKelvie.

A Thank you.

MR. CRUMP: You may stand down.

(Witness retires.)

MR. CRUMP: Will you call your next witness, Mr. Stevenson.

MR. STEVENSON: Mr. Price.

LESLIE GRAHAM PRICE, sworn, examined by Mr. Stevenson:

Q Up until 1971 you were employed by McIntyre Porcupine Mines Limited, is that correct?

A That's right, sir.

Q What date did you leave their employ?

A Officially the end of June.

Q And by whom are you employed now, Mr. Price?

A I am employed by a company called Rescon Development Limited,

1-JH-2

L. G. Price - Stevenson Ex.

A (continued) of which I am President and a partner.

Q I take it, Mr. Price, that company is involved in doing consulting work in resource development?

A Partially.

Q And when did you join McIntyre Porcupine?

A In -- November 23rd, 1956.

Q And what position did you go into?

A My first job with McIntyre was as a helper in an underground drifting operation.

Q And at what point did you go into administration?

A Oh, about a year later. I was in various production operations, as a helper and a leader and a stope boss, and then I went into industrial engineering; and then I went into front mine supervision.

Q Do you have some professional training?

A No, sir.

Q Now, when you went with McIntyre Porcupine, was it with the intention of doing any work in coal?

A No, sir.

Q Had you had any experience in coal operations?

A Yes, sir.

Q In what way?

A I had spent 8 years with the National Coal Board in the UK prior to coming to Canada.

Q Immediately prior to coming to Canada?

A Yes.

Q And what was your position with the National Coal Board?

1-JH-3

L. G. Price - Stevenson Ex.

A Well, I spent some time as a surveyor, assistant surveyor. I was attached to the Central Planning Office of the Southeastern Division of the National Coal Board, and I also worked in various production operations at the face in the mine, including some method study.

Q And what does a surveyor do?

A Well, it is a question of surveying, I suppose, that is the best answer I could give you; but generally making sure that all entries are driven on line, carrying out the statutory survey requirements for the government, under the government regulations, assessing or assisting in mine planning, and a whole host of other factors of a similar nature.

Q Well, you will appreciate my asking the question, in this country a surveyor is somebody who cuts down trees without permission, but --

A We didn't have too many trees in those days.

Q Now, you became involved in the coal operations of McIntyre?

A Yes.

Q And tell me this, Mr. Price, did you consider yourself a technical adviser in that capacity?

A No.

Q You had some knowledge of the coal industry which enabled you to deal with the reports, feasibility studies and so on, but you didn't give technical advice?

A No. My initial assignment in the coal was as project coordinator, and I think that described the function quite well. I had enough understanding of the technical aspects of the matter

1-JH-4
L. G. Price - Stevenson Ex.

A (continued) to have reasonably intelligent conversations with technical people. And it was my job to coordinate all of this information into report form and give advice on that basis.

Q When was the first time that you did in fact have any involvement with the proposed coal operation in the Grande Cache area?

A I travelled to Hinton in September, September the 5th, as I recall, 1965, and went in to look at the operation. There was nothing there at that time. I went in to look at the property.

Q And at that time what were your instructions, or what was your intention on going out?

A Well, at that time -- just prior to that I had been superintendent of industrial engineering for McIntyre, and Mr. Godin was general manager, J. K. Godin, and he asked me to go out and have a look at the property with the intention of discovering whether or not the property would support an economic operation. They were very generalized guide lines at that time.

Q Now, did you have any contact with any official of government in 1965?

A I am trying to recall when my first meeting with Mr. Sommerville was -- it might have been the end of 1965, but I suspect maybe early in 1966. Mr. Sommerville was Deputy Minister at that time.

Q Now, at some time did you have contact with the Department of Municipal Affairs with a view to discussing the development of the Town?

A Yes, that was later on. I think perhaps -- it was just prior to the formation of The New Town incorporation, The New Town of Grande Cache, I can't recall the exact date.

Q Would it be some time in 1966?

A I rather think it was, later in '66.

Q And with whom did you have contact in the Department of Municipal Affairs?

A I met Dr. Morrison who was the Deputy Minister, and I also had more intensive discussions with Mr. Gurel, who eventually became the Chairman of the Coordinating Board.

Q Did you provide the Department of Municipal Affairs, or officers of that department, with projected labour force figures?

A Yes, sir. We provided government -- to the various government authorities at that time with all of the information that we had at that particular point of time.

Q And what was the projected labour force?

A Initially 650 to 700 men, with the potential to grow up to about 950, if we went to the 3 million ton a year operation.

Q Did the figure of 650 to 700 remain constant?

A Yes, fairly constant.

Q And the additional amount was a potential if you developed a larger contract?

A That's right.

Q And when the Town was being planned and laid out and actual work being done, were you in fairly regular contact with the departments?

1-JH-6

L. G. Price - Stevenson Ex.

A Yes.

Q And in particular the Department of Municipal Affairs?

A Yes.

Q And did you attend meetings of the Grande Cache Coordinating Committee from time to time?

A Oh, yes.

Q And was that basic figure of 650 to 700 ever varied during your term?

A Do you mean in practise?

Q In communication with government?

A No, that stayed pretty constant all the way through. We actually did exceed 700 men towards the end of my tenure with McIntyre, but that number stayed pretty constant. We did, of course, suggest to them that we were in the process of beginning negotiations on the No. 9 mine, which was to be a separate additional contract, which would have resulted in the use of another 400 - 450 men.

Q Did you have discussions with government as to the type of townsite you wanted?

A Yes.

Q And had there ever been any consideration given to developing this site on the basis, when you were involved, on the basis of a campsite or a company provided accommodation, with something lesser than individually owned homes?

A No, I think that perhaps it is worth developing this point, because it was always the intention of the company to develop, or to have the government assist them to develop a town which

1-JH-7

L. G. Price - Stevenson Ex.

A (continued) would encourage good people to settle there and to stay there. This was always very close to the senior people of the mines and in McIntyre. So we didn't want to go to a situation where there would be cheap accommodation, lack of amenities; it was always our intention to try to establish a townsite which we would be proud of and which would encourage people to stay.

Q And you hadn't contemplated development on any other stage, in any other way?

A Other alternatives were contemplated and discussed, but the consensus was reached fairly early on that we wanted to develop this kind of community.

Q Was the company satisfied that that was the best course of action to take?

A I think so, yes, obviously.

Q Now, Mr. Price, was the company aware or was there any discussion with the government that the development of that kind of facility would require some form of long-term contract arrangement?

A I think that it was certainly implicit in the understandings that everyone had that this kind of community was something that would be developed on the basis of a long-term operation. I don't think that there was any particular suggestion, specific suggestion from the government that the contract had to be 15 years or 10 years or 20 years, but I think it was pretty implicit in all of the discussions that this was to be a long-term situation. And, of course, we were looking at

1-JH-8

L. G. Price - Stevenson Ex.

A (continued) very large reserves of coal as you have just heard, so we really felt that we would be there for a hell of a lot longer than a 15-year period of time.

Q Now, Mr. Price, I have Exhibit 16 in these proceedings, which is a report of the Provincial Planning Board making recommendations for The New Town status of Grande Cache, and there is a reference to the number of men involved in an occupation, coal mining, 700, and it says, "Data on labour force has been supplied by company" including McIntyre Porcupine?

A M-hm.

Q Would you have -- can you recall, would you have given that information to department officials about that time or prior to that time?

2-FWB-1

L.G. Price - Stevenson Ex.

A Yes, I would think that information looks very - I said, 950, but my memory is obviously a little incorrect. Those numbers seem to be fairly reasonably close to what we were talking about.

Q 700 by 1970 and 900 by 1973?

A And this was a potential, ultimate.

Q 1,100?

A Yes.

Q Well, even the 900 wasn't very firm in your mind?

A No.

Q Thank you; were you also involved in the negotiations with the Canadian National Railways?

A Yes, I was.

Q Now, Mr. Price, including the negotiations in Montreal?

A Yes.

Q And with whom did the negotiations in Montreal, who was there on behalf of your company and who was there on behalf of the Canadian National?

A Mr. Godin and myself on behalf of McIntyre. On a couple of occasions we had Mr. Poole, Ernest C. Poole from San Mateo who was a consultant retained by McIntyre. On the other side of the table there were several CNR employees. I think mainly their side was headed up by Mr. Dobson. I think he was general manager of freight sales or something like that.

Q Now, at the time you were carrying on these negotiations, this of course would be after the announcement of the Alberta

Q (continued) Resources Railway?

A Oh, yes.

Q Did you have any contacts with the Canadian National or Government of Alberta before the announcement of the Alberta Resources Railway, you yourself?

A No.

Q Did you when you were discussing freight rates with the Canadian National, know what their arrangement was with the Alberta Resources Railway?

A In terms of - how specific? We knew that they had some agreement with the Alberta Government to build and operate the Alberta Resources Railway. We had no details of the terms of that arrangement.

Q Did you know that they had some rental obligations with the Alberta Resources Railway?

A No; I subsequently learned.

Q Did you know that they had some sort of financial obligation with the Alberta Resources Railway?

A No.

Q Did you know that they had to, after you had discussed the rates or during the course of the rate negotiations did you know that they had communicated with the Government?

A Yes, they informed us that the rate we were requesting was too low and they said they would have to discuss this with the Alberta Government as I recall.

Q So you knew that it had to have Government approval of some kind?

2-FWB-3

L.G. Price - Stevenson Ex.

A We knew that there would have to be discussions with the Alberta Government.

Q I'm sorry, I didn't mean to put words in your mouth. Did you know whether or not they needed approval of some kind?

A No, I couldn't say that I personally knew they had to get approval from the Government to go ahead with this rate.

Q Did you ultimately arrive at a rate?

A Yes.

Q And what was that?

A \$3.13 per net ton, per short ton.

Q Where the Canadian National supplied ---

A Yes.

Q Now, when you were negotiating with the Canadian National did you indicate to them the maximum rate you were prepared to pay?

A Yes, as a matter of fact they asked what kind of rate we needed to make the operation viable and we informed them that the rate would be \$3.50 per long ton. The \$3.13 comes out to \$3.50.5 so it was fairly close to our request.

Q At that time were your negotiations with the Japanese and your calculations looking at a 15% return on your investment?

A Yes, sir; this was the general guideline that we were looking at, for a 15% return on our investment.

Q And at that time with this general guideline, the rate you asked for was \$3.50?

A Yes, that's right. Those rate of returns of course varied with the different variables but that was the sort of average

A (continued) standard we were looking at.

Q When you talk about Canadian National was it in terms of 15 years, 30 million tons?

A Yes.

Q Now, do you have any knowledge as to whether or not, pardon me, was the Government of Alberta kept informed of your negotiations with the Japanese?

A Yes.

Q By you among others?

A Amongst others, yes.

Q And with whom was your contact in that regard?

A I would think mainly with Mr. Patrick.

Q Who was then the Minister --

A Minister of Mines.

Q And are you able to tell me whether or not indications of McIntyre's plans or proposals had been given to the Government before the announcement of the Alberta Resources Railway by McIntyre Porcupine?

A From personal knowledge I can't really make a statement on that, but my understanding is that there was, that there had been discussions with the Alberta Government, very preliminary discussions, but there could have been no detailed information given to the Alberta Government because it was not available. And I suspect - well, I know that the people in McIntyre were rather surprised with the announcement.

Q And who was your superior throughout your tenure with the company?

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L.G. Price - Stevenson Ex.

A Well, from '65 to the summer of 1968 when the basic understanding was signed I answered directly to Mr. Godin. At that time I had asked for a re-assignment and I was made manager of corporate development and I answered to Mr. W.T. Kilborn, Vice President of Corporate Affairs until November of 1969 when I was appointed Manager of the Coal Division at which time I then answered to Mr. Anderson who was Vice President of Operations.

Q And did that continue until you left the company?

A That continued until both Mr. Anderson and myself were removed from the coal operation.

Q When was that?

A That was in May, April, May of '71.

Q And you left in June?

A Yes.

Q Now, up until 1968 who were the company's technical advisers in respect of the proposed coal development on staff?

A On staff we had Mr. B.H. Hulburt who was formerly Manager of Mines for Crowsnest Industries. We had - of course, by 1968, we had, had started to attract, to hire a number of other people but up to the signing of the agreement?

Q Up to the signing of the agreement?

A Yes, Hulburt was really the technical man and then we had several consultants involved in this.

Q Now, I take it at one point you actually put together the technical information in a feasibility study or feasibility studies, is that right?

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L.G. Price - Stevenson Ex.

A Yes, somewhat more than one time that was done but I think I know the particular study you are referring to.

Q The initial or the earlier feasibility studies that you put together, Mr. Price, from other sources, recommended that the company conduct a pilot program, is that correct?

A That's correct.

Q Was that carried out?

A To some extent; there was a pilot mining program undertaken. This is when Mr. Hulburt joined the operation as Project Superintendent.

Q Why was not the more extensive study taken that you had recommended?

A I think very largely a question of costs. There is another aspect of this too, the company was in negotiations with the Japanese steel mills and frankly, I think there was some question about the amount of commitment we should make prior to having any commitment from the - in terms of money, from the - prior to any contractual commitments from potential buyers. It tends to weaken your hand a little if you spend a lot of money before you make a deal.

Q And did you have some concern that the existence of the railway imposed pressures on your negotiations?

A There were no pressures as such from the Government but obviously I think there was some feeling of obligation to get on with the job and get something going. I might point out of course that in between the announcement of the railway, the signing of the agreement was what, three years. So we

A (continued) weren't stampeded into anything. We signed an agreement that we thought we could live with.

Q Did you feel the company was under some obligation to the Government of Alberta?

A I personally felt that because of the fact that the Alberta Government had gone ahead and provided, was providing the railway, that we had some obligation to make our best efforts to bring this operation into being.

Q Was the Government putting any pressure on you directly?

A Certainly not to me.

Q And not that you are aware of --

A Not that I am aware of to anyone. In fact they were very understanding of our rather difficult negotiations.

Q They were kept informed of your negotiations?

A Yes.

Q Did you actually become involved in negotiations yourself?

A Very much so.

Q Were you, as far as you know, involved in all the negotiations with the Japanese from 1966 to the signing of the contract?

A Yes.

Q In your negotiations with the Japanese was it a long term contract you were looking for?

A Yes.

Q And was that the policy which your company was interested in at that point?

A Yes.

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L.G. Price - Stevenson Ex.

Q What terms were being talked about?

A Duration of contract?

Q Yes?

A Generally 15 years. There was some discussions with the Japanese about tenure agreements, but tenure agreements tend to affect adversely the rate of return on investment and of course it affects all other kinds of, all other aspects of the operation in terms of railways, townsite and everything else.

Q Now, again, would the Government be kept informed as to the terms you were looking at?

A Yes.

Q Did the Government indicate some concern about the length of the term or was there some concern manifested about the length of the term?

A Do you mean that 15 years was not long enough?

Q Or that 15 years was what was required?

A No, I think they seemed to be - as far as I recall they seemed to be in fairly general agreement with 15 years. That was the longest term contract that had been signed up to that point. In fact the first 15 year contract with the Japanese was for the Moura Coal and that was signed two or three years earlier.

Q Was there any indication from the Government personnel to you that they had some concern about the security of the contract in view of its length in terms of its length?

A No, I think that everyone recognized that with the reserves

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L.G. Price - Stevenson Ex.

A (continued) and quality of coal in existence that the operation would probably not terminate after the fifteen year contract expired.

Q Was there a discussion about the financing of the town and mortgages and business --

A Yes.

Q -- on the basis of the life of the contract?

A Yes, the term of the contract tended into those discussions.

Q And at what point were those discussions taking place?

A They were taking place really throughout that entire period of 1966, '67 and '68.

Q Now, in connection with the negotiation of the contract I understand that you characterized it as being not like the negotiation of copper contract. What is the difference, what did you mean by that?

A Well, it is very true that it isn't like negotiating a contract for a base metal sale. First of all there is no established market standard price such as the L.M.E. that you have for copper. Every coal contract really is a negotiated contract. The other most important difference I guess, is the fact that if you are dealing with copper or nickel or something like that you are dealing with one specific commodity. When you are dealing with coal, you are not dealing with a single commodity. You are dealing with a - coal is a generic term and almost every coal has certain variations in its characteristics which can have a rather significant effect on its value.

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L.G. Price - Stevenson Ex.

Q When you were negotiating with the Japanese would it be fair to say they had a concept of cost plus reasonable rate of return?

A Certainly they expressed that as the basis for what they term reasonable negotiations.

Q And did you actually provide them with your cost figures?

A Yes, we provided them with cost figures, yes.

Q Did they examine and, inspect, audit those figures in any way?

A Yes, with delegations at the site and extensive and exhaustive discussions in Tokyo.

Q Do they have qualified technical people?

A Oh, yes.

Q Now, when you were striking the costs, one of the components was the rail rate?

A Yes.

Q And what were your discussions with the Japanese with respect to the rail rate?

A Well, after the spring of 1966 we had - we fixed that component and so that was discussed with the Japanese. We did not discuss with the Japanese modifications to that freight rate involving car ownership by McIntyre, but we did discuss the \$3.50 figure freight rate.

Q Did you discuss it with them before it was settled?

A No, we couldn't.

Q That would have been one of your cost components that they were concerned about?

A Oh, yes, they were quite concerned about it.

Q And in your negotiations with the Canadian National you were satisfied that that was a reasonable rate?

A We felt it was a reasonable rate, yes.

Q And they didn't tell you what they had to do in negotiations with the Alberta Resources Railway?

A No.

Q And you didn't expect the Province to be called upon to give either you or the buyers a subsidy?

A We, the company on several occasions had expressed their position as being totally opposed to any form of subsidy. We wanted to make profits and profits are seldom associated with subsidy.

Q And from your point of view did you characterize your negotiations with the CNR as providing them with a compensatory rate?

A We assumed - well, first of all, let me answer that question in two ways. We retained Mr. Poole who is a well known and rather eminent rail consultant in the States. He developed cost figures which indicated to us that the out of pocket components associated with the rate were substantially below the \$3.50 level and furthermore we made the assumption - in fact I rather think it would have been illegal for CN to give us a rate at that time which was not compensatory in the defined sense.

Q I won't comment on that.

A Is that - I hesitated with Mr. Crump as Chairman. I assume

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L.G. Price - Stevenson Ex.

A (continued) that the rate and I am sure we all assume that the rate was compensatory to the CN or they wouldn't have given this rate.

THE CHAIRMAN: As a matter of fact under the Law it is required to be compensatory.

Q MR. STEVENSON: Now, did you also do the negotiations with Alberta Power, Mr. Price?

A For the H.R. Milner Plant?

Q Yes?

A Specifically I think it is fair to say it was responsible for the concept of the H.R. Milner Station. And I guess some people today would use that word "responsible" but it was certainly - I was involved in sort of developing the concept with the C.U.L. people at that time and we discussed in great detail the kind of association which could be set up; we examined the break even point, the break even costs for fuel to supply to that plant, which would allow that new H.R. Milner Station to be a competitive alternative to say an expansion of the Battle River Plant. So we established the well known rate of one and a half cents per million B.T.U's, but at that time the actual contractual negotiations took place really after I became manager of Corporate Development and I was acting in an outside role.

Q When you became Manager of Corporate Development, I gather you never in fact left the site at Grande Cache as long as you were with them?

A As a matter of fact, sir, I was never resident in Grande Cache.

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L.G. Price - Stevenson Ex.

Q But you never left that operation?

A Well, when I was Manager of Corporate Development, it just appeared that at that point in time most of our long range planning in corporate development was associated with coal. So I did stay in Edmonton and I was involved in the planning for No. 9 mine.

Q Now, what fixed the price in your negotiations with Alberta Power?

MR. SABEY: Mr. Chairman, I rise again on this point. Mr. Price of course would be totally unaware of the present situation as between the company and Alberta Power. And I would caution him and Mr. Stevenson that there is this possibility spoken to the other day and without knowing what Mr. Price is going to say it is difficult for me to do other than caution him at that time if I may do so.

THE CHAIRMAN: I think Mr. Stevenson is aware of this.

MR. STEVENSON: Yes, and I think Mr. Price will tell you what Mr. Provost told him.

THE CHAIRMAN: Mr. who?

MR. STEVENSON: Mr. Provost from Alberta Power.

A I don't have the advantage of knowing what Mr. Provost said. As far as I recall - in fact I, not as far as I recall - the price was established on the basis of the cost of fuel that was presently being delivered to the Battle River Plant and I recall it was around 8.7 cents or something like that per million against this had to be offset the additional cost of

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L.G. Price - Stevenson Ex.

A (continued) a very specialized boiler and the additional cost of construction of a new plant in a rather isolated area. And this from a computer program apparently came out to the figure that was decided upon.

Q Now, did you discuss the problem of the Provincial royalty on that coal?

L.G. Price - Stevenson Ex.

A It was discussed, never to the point of really reaching any real understanding of it.

Q Did you have any negotiations with the Government about it, Mr. Price?

A Not negotiations. We expressed our feeling on more than one occasion, but since we were burning, or disposing in a useful fashion, a commodity that would otherwise have been wasted, that we didn't feel that we should be penalized by having to pay a royalty on this particular coal. In fact it seems rather ridiculous. The alternative is to throw it into an area and cause problems in terms of landscape, and, or burn it in a useful fashion. It seems rather foolish to me that there should be a penalty attached to that kind of approach.

Q Was there ever any agreement reached with respect to the royalty?

A No.

Q Presumably no effort was made by the province to collect, so far as you were aware, or by McIntyre to pay it, so far as you were aware?

A I can tell you that we certainly didn't offer to pay it. Of course, mind you, by the time that I left none of that fuel had actually been used by Alberta Power, so --

Q What was the advantage basically in coming into this arrangement, what was the thinking behind the development of power facilities, Mr. Price?

A Well, there were a number of factors which influenced our thinking in this. The first was that the plant was to be

A (Continued) supplied with electric power from Simonette, a gas fired station to the north of the operation, so, the Smoky River operation was to be at the end of a single transmission line coming from a rather small generating station - and as a matter of fact prior to the H.R. Milner station going on stream we did have a number of occasions where we had power outages and voltage fluctuation, because some of the large motors that were using the operation went on stream, so that was one advantage; the advantage of having a site plant which would give us more security, by virtue of being at the site, and also by virtue of the fact there was to be another transmission line going out into the system, so we would have had two transmission lines and an on-site power plant. That was point number one.

Point number two was that we could make use of certain common facilities, such as water intakes, and this actually was done.

Point number three, and this was very very important, was that if we didn't burn the coal, the rejects, in a power plant, then we had to dispose of them, and there were certain cost factors involved in this disposal. It's a rather expensive business. It was then and today it's even more expensive. So we were looking at, in some ways it's been referred to as an incinerator concept.

Now there was one other factor that we were not successful in getting through the planning stages and that was to make use of the exhaust gases. I personally felt that we should attempt to make use of the exhaust gases for

A (Continued) thermo drying of coal, but because of the time schedule and the technical difficulties involved in this that was not proceeded with.

Q Now, Mr. Price, the initial discussions, the initial concept of development in Grande Cache, was based on underground mining, is that correct?

A Yes, sir.

Q At what point was there some change in this thinking, as far as the company was concerned?

A Well, I don't know that there was any, that there was ever a change during my tenure. We did find the large reserves at the No. 9 mine area. But, at least during the time that I was there, we were always thinkings of these reserves as being, as providing supplemental tonnage, additional contracts - so the idea of the initial 2 million tons coming from an underground operation. That stayed pretty well until the end of my tenure - with one exception, that late in 1970 it was becoming pretty apparent to us that the longwalls were not going to produce their required tonnage, which amounted to about a third of the planned tonnage, and we then started to look for supplemental tonnage, and we identified the mine which is now known as No. 8 mine, did the initial work on this operation, negotiated a contract, a contractual arrangement with Mannix for them to strip it under contract, and this was set up just prior to me leaving the operation.

Q And that was at that time based as supplemental coal?

A That's commonly known in the business as panic coal.

Q And that was developed in 1970?

A Yes, late '70 and early '71.

Q Now, you were aware of the original plans for the development of mines Numbers 1, 2 and 3?

A Yes. That was one of the original plans.

Q And why were 1 and 3 dropped?

A There was -- well, first of all, of those three areas only one area was, had coal with moderate pitch, in other words fifteen degrees or less, and this was a critical limitation in terms of mechanical mining, so with known methods of mechanical mining the No. 2 mine was the only area that we had available to us at that time. No. 5, of course, was simply a replica of No. 2 mine, it was an extension of No. 2 mine across the river. We had intended to go into the other areas, into No. 3 mine, with hydraulic mining, and No. 1 mine with either hydraulic or mechanical longwall equipment, at a later date, but there was some real advantage in initially starting off in the moderate pitched areas, with proven technology - at least we thought it was proven technology - and where the logistics were quite simple.

Q So that the technology for developing Numbers 1 and 3 was rather uncertain at the outset?

A Yes. Uncertain the sense that it had not been applied efficiently in the kind of conditions that we had. We had seen hydraulic mining in action in Japan and it looked pretty good, but no one had done it over here, so we were just a little cautious about it.

Q Now, when work began in mines Numbers 2 and 5 there were

Q (Continued) problems encountered at a very early stage, is that correct, production problems?

A M-hm.

Q Yes?

A Yes.

Q And in general terms what were those, what were the causes of the problems, as you saw them?

A I think the fundamental cause, the fundamental problem that existed throughout, prior to me going back into the operation and certainly during my tenure, was manpower. It was very very difficult to get, to obtain and retain sufficient quantities of people with the right skills, and this had some real negative effects on our production schedule. We also had a number of equipment problems, which contributed to the lack of productivity. In general our real problem was that we couldn't produce enough coal cheap enough.

Q By the way, you started talking about being out of the operation. What period of time was it that you were involved in the corporate affairs?

A From July, August of 1968 until November of 1969.

Q During that time you were stationed in Edmonton?

A Yes, sir.

Q And you kept in touch with the mine operations as well, during that period of time?

A On a day to day basis, no. No, I was, obviously I was aware of some of the things that were going on there, but I was not, I was not directly in communication with the mine - although

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A (Continued) the people who were in charge of the operation, of course, did ask for my assistance in discussions with the Government, discussions with the railway, and areas such as this.

Q Now the original mine manager was Mr. Cook, from December of '68 to October of 1969, would that be right?

A Yes, sir.

Q And when he left who took over as mine manager?

A Bill Murray, Mr. William Murray.

Q And did he report to you?

A Yes, sir. My title at that time was manager of the coal division, and Mr. Murray was the mine manager.

Q Were you involved in the decisions to remove the longwall equipment?

A No. Those decisions were taken after I left the operation.

Q After '71?

A Yes.

Q After June of '71?

A After June of '71. Well, actually I left the operation, as I said earlier, April May of '71. It was after that point that this decision was made.

Q What type of production per machine shift were you expecting to recover in the early stages of the operations of the mine?

A Well, that's rather a complex question and it would take a great deal of time to answer it fully. I'll answer it partially and then you can come back if there are any more questions.

Q Yes.

A But, when we reviewed the operation in November of 1969 we

L.G. Price - Stevenson Ex.

A (Continued) decided at that time to emphasize the use of continuous mining machines and rather to de-emphasize the use of the longwall; in other words the production emphasis switched away from longwall to continuous miners, and this was when we went from a two entry to a three entry system, and there were a number of other little changes like that. At that time it became apparent to us that we had to look at around 400 tons, long tons, of raw coal, per unit shift of production, to be in the ball park.

Q As far as an economical operation was concerned?

A Yes.

Q Has that figure varied at all, or would that figure have varied at all during your time with --

A No. We actually did achieve that rate of production on a per unit shift basis.

Q At one point?

A At one point.

Q Now, you were aware of problems arising almost from the inception and had to deal with some of them when you were in charge of the coal division. Mr. Price, with the advantage of hindsight can you venture to give us an opinion as to the reason for getting into this long term commitment, which turned out to be an unsuccessful one?

A Well, as far as the long term nature of the commitment is concerned people who are considering the same kind of venture today, are still looking at long term agreements, still looking at long term contracts, for practically the same reasons that we had, so in hindsight, even with the benefit of hindsight I

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L.G. Price - Stevenson Ex.

A (Continued) do not see anything wrong with the long term nature of the agreement. Is that your question or am I misunderstanding it?

Q That's one aspect of it.

A Yes.

Q Would you say that there was not enough development of pilot work undertaken before the contract was entered into?

A That certainly is true as far as the longwall. Obviously we perhaps -- well, obviously we should have had more information about the behavioral patterns of the longwall equipment in those conditions.

I should point out to you that as far as the underground conditions are concerned, in No. 2 and No. 5 mine, the conditions were not significantly different to what we anticipated. We encountered relatively little difficulty in terms of faulting or anything like that; we had some roof problems, but we would have been rather naive not to anticipate roof problems. So that as far as the actual physical conditions at the No. 2 and 5 mine, as experienced during my tenure, they were not significantly different to what we had anticipated. But obviously I think it would have been better had we been able to spend more time and have more information on the actual performance of the equipment. Had we not --

Because of the scheduling -- you must understand that we had to buy a lot of equipment, at one time. It was a question of buying three sets of longwall

A (Continued) equipment, not buying one set and trying it out and then finding out whether that worked and then if it didn't go to something else. We had to buy a lot of continuous miners, a lot of ancillary equipment, all at one time. So, it would have been very much nicer to have had the chance to have a pilot, an extended pilot program - I'm saying nicer, not necessarily economically feasible, but nicer to have had an extended pilot program, so that we could have tested some of this equipment more fully.

Q Yes. You have recommended a more extensive pilot project at the outset, Mr. Price. Did it involve getting some longwall equipment on to the site?

A Specifically no. We had suggested that it might, that we would perhaps like to see a punch mining system going out from the crop, which would enable us to get a longwall operation, a short longwall, into operation quickly, so we could determine how it behaved.

In point of fact we, when I went back in 1969, we kept delaying the installation of the longwall, because we, you know, we just weren't in a position really to test it properly.

Q Let me take it a bit further, Mr. Price. Did you form an opinion as to what the problem with the longwall operation was?

A I formed an opinion, but I'm not technically competent to --

MR. SABEY: Excuse me, Mr. Price. Again, I'd like to caution the witness that there is litigation over the longwall equipment.

A Yes, sir.

L.G. Price - Stevenson Ex.

MR. SABEY: And again I don't know what this witness is going to say.

MR. CRUMP: Yes. We're dealing with facts here though and I think you had better pursue your line of questioning.

Q MR. STEVENSON: Did you form an opinion yourself, Mr. Price?

A I formed an opinion.

Q Yes?

A There were really, in my opinion, two distinct problems: one with the Fletcher Stewart supports, which were in the No.5 mine, and the other was with the Dowty face in No. 2 mine. In the case of the first installation, the F.S.W. supports - of course that was only a support component of the total unit, but the No. 5 mine longwall face, which had the F.S.W. supports, was in difficulty from the outset. The supports were inherently unstable. Now that's my opinion but it's a rather strongly held opinion. And we never were able to, despite extensive modifications and extensive work by F.S.W. personnel who came to the site, we never were able to solve that stability problem.

In the case of the Dowty supports, initially that face started to look, didn't look too bad at all, and it did produce as high as ten shears in one day, which is 2200 tons, but then we lost control of the roof, and that was the end of that.

Q All right, Mr. Price. Now, the ultimate decision to move the equipment, and the decision as to whether or not it should be

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L.G. Price - Stevenson Ex.

Q (Continued) tried, the Dowty equipment should be tried in the other mine, those were decisions that you had nothing to do with?

A That's correct.

Q All right. If we go back to the initial concept, is it correct that the operation was predicated on a highly efficient mechanical removal of coal?

A Yes.

Q And that the longwall was an important part of that?

A Yes, sir. May I get some more water?

Q Certainly.

MR. CRUMP: As a matter of fact, Mr. Stevenson,
I think this might be an appropriate time to take our break.

MR. STEVENSON: We can get you some coffee.

A Oh, good.

MR. CRUMP: So, we'll break for 15 minutes.

A Thank you.

(The hearing adjourned at 10:53 a.m.)

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L. G. Price - Stevenson Ex.

(Proceedings commencing at 11:15 a.m.)

MR. CRUMP:

Carry on with Mr. Price, Mr.

Stevenson.

LESLIE GRAHAM PRICE, recalled under his former oath:

Q MR. STEVENSON: Mr. Price, from your initial investigations it is clear that if mines Nos. 1 and 3 were included, that you didn't have proved recoverable reserves at a low to moderate pitch sufficient to meet the contract when it was made, is that right?

A Did I understand you to say if No. 1 and No. 3 and the areas of steep pitch were excluded from the reserves?

Q Yes?

A That is true, the reserves of moderate pitch coal were rather limited.

Q So you were going to have to develop some system for economic exploitation of the more or less steeply pitching seams?

A Yes, sir. We had some confidence that this could be done, particularly with hydraulic mining. We were very impressed with our visits to Japanese operations.

Q Now, one other thing is that the entire contract, or at least your feasibility calculations were predicated on the 7-day week, is that correct?

A That's true, sir.

Q And the change to the 5 and 2-day week was a very serious change from the point of view of productivity, was it?

A It was traumatic.

Q I think you told me a moment ago that No. 8 mine was character-

2-JH-2

L. G. Price - Stevenson Ex.

Q (continued) ized as "panic coal"; when was it that that came into your consideration, Mr. Price, I just want to get the date straight?

A First of all let me just say that the term "panic coal" is something that sort of has a specific meaning within the industry, it doesn't necessarily mean to say that we were in a state of panic, necessarily.

Q Go ahead.

A But towards the end of 1970, as the operation of the longwall systems became -- apparently were not as satisfactory as we anticipated, and we started to look for some low ratio strip coal that could supplement our operation.

Q And when was that?

A That was in 1970, late '70.

Q And what was it that triggered off that investigation?

A It was a comment that was made to me about three years previously by Mr. Vans Hulbert, and we were -- we sat in the camp at Smoky River one evening, and Vans said to me that he thought that there was a good chance for having some strip coal just above No. 2 mine. And as our circumstances deteriorated in 1970 this was brought back to my mind again, and I asked Mr. Hulbert to investigate it for us; he was the consultant at that time.

Q Yes?

A And they, Mr. Hulbert and Mr. Thompson determined that there was approximately, we thought, about a 2 million ton reserve of strippable coal.

2-JH-3

L. G. Price - Stevenson Ex.

Q Were you in the discussions with Mannix?

A Oh, yes.

Q And why was it decided to contract that out?

A Because the small scale of the reserves was such that we could not justify setting up an organization of our own; there was certain equipment that Mannix, as a construction company, had, and perhaps more importantly we had more than enough difficulties to handle at that time with the underground operation.

Q Where did Mannix recruit their labour force from?

A I would think -- first of all I should answer that question by saying that I don't really know, but I would suspect that most of them came from within their sphere of influence in Alberta.

Q Now, when it was decided that you should go ahead with No. 8, was there any consideration given to going into No. 10 seam of 2, 11 seam of 2?

A That had always been considered. There were some problems; first of all No. 11 contains a high percentage of ash, and therefore the washing yields were significantly lower than, say, 4 seam. No. 10 seam apparently, and we hadn't done a lot of work at that time, but apparently had a somewhat weaker roof, and we were a little dubious about how it would stand up to room and pillar operations. So whilst we had always intended to get involved in these seams, we had not developed any real concrete plans, other than sort of a pilot probe into No. 10 seam.

2-JH-4

L. G. Price - Stevenson Ex.

Q Had No. 14 considered in the planning at all?

A Oh, yes, in fact we carried out fairly extensive studies in the No. 14 mine area.

Q Yes?

A And incidentally, that area does have reserves of moderate pitch. It is an area other than No. 2 and No. 5. And we had carried out some work, quite a bit of work on that area, and determined that there was a good chance of being able to mine No. 10 and No. 4 seam in particular, those two seams, with conventional mechanical methods. There was a transportation problem.

Q There was a transportation problem. And had there been any work done towards solving that?

A There was a study carried out by the Paul Weir Company which involved a method of getting the coal from the No. 14 mine to the plant site, and we had had a number of discussions on alternative methods, such as trucking or bringing it down the back side of the hill by conveyor, so there had been a fair amount of work done.

Q And was there any reason to believe the conditions in No. 10 and 4 seam in Grande Mountain or 14 mine were any different from the same seams that you were working in?

A Yes, there was a lot of evidence. First of all, the No. 4 seam in the Grande Mountain area was considerably thinner, and, as a matter of fact, I suppose by now that you are well aware that the thicker seams are a disadvantage in the underground mining operations. So the 10-foot thickness, as I recall, 9-10 feet

2-JH-5

L. G. Price - Stevenson Ex.

A (continued) thickness that was in No. 4 seam in Grande Mountain, No. 14 mine, was a real advantage because we would have been working on a rock floor. The same thing applied to No. 10. And, as a matter of fact, the adit work in 10 had indicated perhaps somewhat better roof conditions than we had looked at over on the Smoky River side.

Q And the No. 14 area wouldn't be, you wouldn't be mining coal in coal, so to speak?

A We would not have a coal floor.

Q Did you have any involvement with Mr. Keenan at all, with respect to mine No. 1?

A No. I visited Mr. Keenan's operation in Colorado some years ago, but no involvement with Mr. Keenan in this situation.

Q Was Mr. Keenan working in steeply pitched coal in Colorado?

A Yes, they had, as I recall, this is back in 1966 I think I visited the operation, I think it was called the Dutch Creek operation, and they had a longwall installed on a -- in an area where the seam was pitching at about 30 degrees, a thin seam five feet thick, and they were using Ferro-Matic Supports.

Q That is a trade name?

A A trade name, a German-type of chock. And the operation -- well, the operation hadn't made any progress when we were there to visit it.

Q Was that the kind of thing that you were relying on for the proposal to develop No. 1, the expectation of developing No. 1?

A No, that particular operation was certainly no indication to us of the approach that we would be taking.

2-JH-6

L. G. Price - Stevenson Ex.

Q Tell me this, were you involved in the conversations with Mr. Tweedy?

A Yes.

Q And what was he called in to give advice on?

A Specifically the longwall applications, and in assistance in recruiting UK people. In other words using his relationships and associations in the UK with technical people of the UK.

Q And was the effort of recruiting directed particularly towards longwall operators or people with longwall experience in the UK?

A Well, almost by definition, if you look at people who having mining backgrounds in the UK you are looking at longwall, there is a very restricted amount of room and pillar continuous miner work.

Q Did you have anything to do with the decision to purchase the Dowty equipment?

A No, the decision to purchase the longwall supports or the Anderson shearers and the conveyors and supports and ancillary equipment for the longwall face, that was made in that period from '69, early '69 to the end of '69; that period that I was in limbo with it.

Q And that decision was made then?

A Yes, so I was not involved in it. Either the Dowty or the Fletcher Stewart, although I had been previously, prior to that time I had been involved in discussions with both Dowty and Fletcher Stewart, and indeed many other manufacturers of longwall equipment.

2-JH-7

L. G. Price - Stevenson Ex.
- Patching Ex.

Q Was there any particular reason for going to Fletcher Stewart supports?

A There was some reason, because the Fletcher Stewart supports are of a different type, a three-legged, I think they were 150 ton chocks, and that had operated on steep pitches in the UK.

Q Yes?

A And so they had some experience of operating powered supports on steep pitches, quite successfully we were told. Although this particular chock that we bought was a totally different situation, it was a beefed up 330 ton chock.

MR. STEVENSON: Those are all of the questions I have.

MR. CRUMP: Mr. Sabey, have you any questions of the witness?

MR. SABEY: No, Mr. Chairman, thank you.

MR. CRUMP: Mr. Patching?

MR. PATCHING EXAMINES THE WITNESS:

Q Coming around to the contract, can you tell us again about how long were you in negotiations with the Japanese before a contract was finally signed? This carried on over some years, didn't it?

A Oh, yes. As a matter of fact the Smoky River contract was characterized in one issue of the annual text report as being the most difficult negotiations that the Japanese steel mills had ever undertaken. So we had some claim to fame in that regard.

2-JH-8

L. G. Price - Patching Ex.

A (continued) I think the discussions with Mr. Mitsubishi and the Japanese steel mills started probably in 1965, a little before I became involved in it, and they continued then right through until August of 1968, in fact they never really stopped.

Q And prior to McIntyre signing the contract, do you know what other sales contracts had been made from other Canadian suppliers?

A There had been sales contracts, of course, for some of the Victory Creek coal and the Mitchelle coal, going back a number of years, and from Canmore, relatively small tonnages. Of the new, the second generation type of contract, Kaiser had signed an agreement, Luscar I think were there, and then we came. I should point out that we had been negotiating well before either of these two groups.

Q Both Kaiser and Luscar signed long-term contracts before McIntyre did?

A Yes.

Q And how did you feel that your contract compared with the contract that they were able to get as far as price and other terms?

A Well, price was obviously higher.

Q For McIntyre?

A For McIntyre. At the time of the signing of the agreement McIntyre's coal was the highest priced coal that the Japanese purchased. It was substantially higher, a dollar or so a ton higher than Keystone coal which is probably the best coking coal

L. G. Price - Patching Ex.

A (continued) in the world. In fact, if you have read the agreement there is a clause in the agreement that refers to a competitive position between McIntyre - Smoky River coal and the Keystone coal, which indicates that McIntyre coal under no circumstances could be more than \$1.10 per long ton higher than Keystone price. Keystone price today is \$26.24, so there has been a rapid -- at that time it was \$12.83, so there has been a rapid escalation of coal prices. But go back specifically to your question, at the time that we signed the agreement we would have liked to have had more money for our coal, but we thought it was a reasonable deal.

L.G. Price - Patching Ex.
- Crump Ex.

Q Particularly in comparison with other contracts that had been made. Yes, thanks; that's all.

MR. CRUMP: Mr. Graham, have you any questions?

MR. GRAHAM: No, I have no questions.

MR. CRUMP EXAMINES THE WITNESS:

Q I only have one or two here, Mr. Price. Speaking and reading the agreement as I am, generally it is regarded as a 15 year contract for 30 million tons?

A Yes, sir.

Q But wasn't the agreement 29 and a half million tons over 15 years: was a million and a half tons to be produced in the first year of the contract?

A Yes, sir.

Q And then at the rate of two million tons in the following fourteen years?

A Yes, sir, the actual understanding was, sir, that if we felt, we had I think it was about almost a year in which to decide on the tonnage that we could produce in the first year of operations. And had we been able to produce two million tons then we could have set that at two millions. We actually set it at one and a half. We should have set it at more, that's all.

Q And I presume - you mentioned that you had to buy a great deal of shall I call it, untried equipment under these circumstances at one time.

A Yes, sir, not untried in the sense that it had not been used in other locations but untried in the sense --

3-FWB-2

L.G. Price - Crump Ex.

Q Under these conditions?

A Yes.

Q The incentive there was that you had to produce a million and a half tons in the first year?

A Yes, sir.

Q I would like to read just a short piece here from the company brief, Mr. Price, and ask you if you would care to comment on it because of your wide knowledge in this industry. The closing sentence in the company's brief:

The Smoky River coal deposits representing as they do, the largest known source of high quality low volatile coking coal next to those in the Eastern United States will provide a strong and lasting employment base upon which the town may grow and prosper,

not the latter part, but as I say, the largest known source of high quality low volatile coking coal. Do you feel that that is a fair statement?

A In terms - this is rather a difficult question to answer, sir.

Q Yes, I can understand that it is difficult for me doing it.

A But in my exposure to the coal industry which is quite broad now, particularly as a consultant, I know of no other area where there are such large "in place" reserves of this type of coal. There are substantial reserves of low volatile coking coal in the Pocahontas seams in West Virginia, mainly, deep mining. In fact almost entirely deep mine. There are

3-FWB-3

L.G. Price - Crump Ex.
- Stevenson Ex.

A (continued) some - there are obviously a number of low volatile coals which are scattered around the world even in Australia and in Canada but this particular type of premium quality coal, and this Smoky River coal is just a little less in quality than say the best of the West Virginia coals because of a slight increase in volatile content and ash content offset to some extent by sulphur content, but really I tend to agree with that statement. But we are talking about in place reserves.

Q Yes, I realize "in place" reserves. Well, that's very helpful Mr. Price. Mr. Stevenson any re-examination?

MR. STEVENSON EXAMINES THE WITNESS:

Q There was one point Mr. Price didn't have any involvement in the preparation of the company brief of course.

MR. CRUMP: No, that's why I read the sentence.

Q MR. STEVENSON: And I was going to ask him if he wanted to comment on the sentence I put to Mr. Fulton yesterday at the bottom of page 9:

The creation of a new mining town in an isolated section of the Province was recognized by McIntyre and the Province as a formidable financial and general risk to both of them.

Can you comment on that?

A Not really, because I don't really understand the meaning of the statement. Obviously in a new development like this there is some risk and in hindsight probably a hell of a lot more risk than we anticipated, but I don't think at the time this

3-FWB - 4
L.G. Price - Stevenson Ex.

A (continued) decision was made by both sides that we were thinking in any way in a negative fashion.

Q And the many problems inherent in the undertaking were intensively studied and discussed within McIntyre and between McIntyre and various Government officials and consultants.

Now, --

A That is true.

Q -- did you discuss with the Province of Alberta the mining risks?

A We discussed with the Province of Alberta the fact that we were going into such methods as longwall which had never been used in this country, in this area.

Q With whom did you discuss that in the Government?

A With the Minister concerned, the Deputy Minister. They knew the kind of methods that we were going to use. I should say that we weren't emphasizing the negative aspects of this nevertheless we did point out that these were the methods we were going to use.

Q Did you go convey to the Minister or the Deputy that there was a risk of your inability to carry out that contract?

A I cannot recall ever having spelled it out in those terms, sir.

Q Did anybody in the Government see your feasibility studies or examine them with respect to this --

A Feasibility studies, not to my knowledge, sir. We discussed

A (continued) the contents of the feasibility studies.

Q With Mr. Patrick?

A Yes, sir.

MR. STEVENSON: Thank you.

MR. CRUMP: Thank you, Mr. Stevenson; thank you Mr. Price. There will be nothing further. We appreciate your coming. You may stand down and for the purposes of the Commission, gentlemen, ladies and gentlemen, we are going to adjourn at this time until 9:30 Monday morning.

(The Hearing adjourned at 11:40 A.M.)

